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Southern Africa: Economic Vulnerabilities

South Africa dominates a regional economic network that provides significant economic benefits to all of its neighbors except Angola. Pretoria has made clear that it will not hesitate to use its economic muscle to retaliate against neighboring black countries should economic sanctions be imposed against South Africa by the West. In our judgment, the threat is credible and would cause considerable economic dislocation and hardship on regional economies while having only a minor impact on South Africa's economy. Neighboring black states have no ready or economically feasible alternatives to their dependence on Pretoria, and almost certainly would turn to the West, particularly the US, for relief.

South African Regional Economic Leverage

South Africa and its neighbors have forged a network of regional economic ties that include transportation links, trade, investment, and a substantial flow of migrant labor. [redacted] official publications and open source information.

- -- South Africa has 75 percent of the region's rail network and the most efficient ports making transportation Pretoria's greatest source of economic leverage over its neighbors.

- -- About 350,000 workers from the neighboring states are legally employed in South Africa. One estimate also indicates that between 200,000 and 700,000 illegal migrants work in South Africa. Remittances from these workers are estimated to support an additional 3 million people in neighboring countries. During 1984, official data showed that the 195,000 foreign black workers employed in South African gold and coal mines remitted over $200 million to their countries of origin through savings programs run by the mining companies.

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- -- Most southern African states rely on South Africa for chemicals, petroleum, machinery, finished consumer goods, grain and other foods, although trade has declined recently.

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- -- South Africans own the bulk of foreign investment in Botswana, Lesotho, and Swaziland, some one-third of direct foreign investment in Zimbabwe and a major share of Zambia's copper mining. In recent years, however, actions by the neighboring states to cut business ties have forced South African companies to divest some of their regional holdings.

South African Regional Economic Vulnerability

Based on South African and IMF data we estimate that Pretoria earns about $1.2 billion in foreign exchange from trade and other economic ties to neighboring countries. In our judgment, Pretoria could absorb the cost of selective economic retaliation with relatively little cost to itself.

- -- South Africa would lose more than $100 million in revenue if it cut off regional rail service, but Pretoria would not be substantially affected by selective, self-imposed embargoes.

- -- Although foreign workers make up nearly 40-percent of the mining workforce the dismissal of selected worker would cause only short term disruptions. From Pretoria's perspective, high unemployment throughout the region would by and large prevent any serious long-term labor shortages.

Neighboring States Vulnerabilities

A review of trade and financial statistics shows that all neighboring states, except Angola, are vulnerable to South African economic retaliation.

Botswana

- -- All petroleum products used in Botswana come via South Africa and most are refined there.

- -- Nearly 19,000 Botswana miners are employed in South African mines.

- -- About three-quarters of the grain and 80 percent of the fruits and vegetables consumed are imported from South Africa.

- -- Receipts from the South African controlled Southern African Customs Union (SACU) account for over 20 percent of government revenues.

Lesotho

-- Over 95 percent of imports originate in South Africa and all exports are either sold to or must be transshipped through South Africa.

-- Remittances from the nearly 110,000 Basotho employed in South Africa account for about 50 percent of GDP.

-- The Electricity Supply Commission of South Africa (ESCOM) supplies 100 percent of Lesotho's electricity.

-- Receipts from the South African Customs Union (SACU) account for 70 percent of government revenues.

Malawi

-- Nearly 95 percent of Malawi's petroleum comes from South Africa.

-- Some 18,000 Malawians work in South Africa and provide the government with about $12 million in foreign exchange.

Mozambique

-- More than 50,000 Mozambican miners work in South Africa and provide nearly 70 of the country's foreign exchange earnings.

-- ESCOM provides 60 percent of Mozambique's electricity.

Swaziland

-- Revenue from the Southern African Customs Union (SACU) account for over 60 percent of government revenues.

-- More than 13,000 Swazi miners work in South Africa.

-- South African firms own and operate major Swazi farms and tourist companies.

Zaire

-- More than 40 percent of the minerals exported in 1985 were shipped through South Africa.

-- Three-fourths of the food, petroleum, and chemicals used by Zairian mines and mills are imported through South Africa.

Zambia

-- Zambia's Ndola refinery receives some feedstock from South Africa.

-- Nearly half of Zambia's mineral exports are shipped by South African railway.

Zimbabwe

-- About 60 percent of Zimbabwe's export and import traffic utilizes the South African transport system.

-- South Africa is Zimbabwe's largest trading partner accounting for 20 percent of total trade.

Pretoria's Likely Moves

Past actions and public statements point to the fact that Pretoria recognizes the value of maintaining and even expanding its regional economic relations. In the past the government has used its economic leverage cautiously. In the event of new Western sanctions, we believe Pretoria initially would take a measured response designed to showcase its regional economic muscle and indicate to the West the cost of sanctions to the region.

-- We believe that Pretoria first would expel selected foreign workers or disrupt selected rail links. At the same time the government likely would threaten to respond in kind to further Western economic actions.

-- It is also possible that Pretoria will chose to engage in a campaign of economic sabotage -- perhaps to reinforce existing vulnerabilities, for example by attacking Zimbabwe's oil routes through Mozambique, or to strike at Angola where its leverage is limited.

Neighboring Countries Options

In our judgment, neighboring African countries have no realistic short-term options for lessening their economic dependence on South Africa or developing economically feasible alternative routes for their imports and exports. Faced with a South African squeeze, these nations almost certainly would turn to the West, and particularly the US, for relief.

-- Alternate transportation routes through Angola, Mozambique and Tanzania are incapable of handling substantial additional traffic because of insurgency, poor maintenance, and operating problems.

-- Few alternatives exist for the crude oil and refined petroleum imported from or transported through South Africa. Oil can be shipped from Dar es Salaam via the Tazara pipeline but at a substantially higher cost. Angloan crude oil, for example, is too heavy for the region's other refineries and the Beira-Mutare pipeline through Mozambique has been sabotaged repeatedly.

-- The South African Development Coordination Conference (SADCC) formed in 1980 by nine southern and eastern African nations with the goal of reducing economic dependence on South Africa and promoting greater regional economic integration is further than ever from achieving these goals, in our view. Poor economic policy choices, drought, and low world prices for the region's major commodity exports have combined in fact to boost economic dependence on South Africa, Western donors, and policy advice from organizations such as the IMF.